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These machine stations are, of course, State property and their services can be rented at rates established by the government. Kolkhozes and peasants enjoy more favorable rates than wealthy peasants. There is some resistance to mechanization on the part of the more conservative

[242] peasants. This resistance is, however, much less than that exercised against entirely new farming methods such as the square-cluster method of seeding corn or the lengthwise and crosswise hoeing.

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As a rule, peasants have to deliver first their compulsory delivery quotas at a low price set by the State. If some produce is left, which may or may not be the case, they can market the rest freely. If and when delivery quotas are not fulfilled, the free marketing of certain products may be forbidden for a time. In 1954 such restrictions were made on meat

[253] and lard. Especially Draconic are the government's measures against "unlawful" slaughtering of domestic animals, for the situation is acute in this branch of agriculture. Government decree No. 250,480 of February 23, 1951 promises five per cent of all the goods confiscated to anyone, official or private citizen, who helps the authorities to discover "black (= illegal) slaughtering."

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The Hungarian peasants either operate their farms individually, which is true in the majority of cases, or they work for a state farm (sovkhoz),

2:Paloczy-Horvath H-3 (no date)1944 EC1 Hungary EC1

Well, Count Bethlen "consolidated" his rule chiefly with their help. He forced the country to give armchair jobs to most of the gentry. You want proof? *Pre-1914 Hungary had less Civil Servants than post-Trianon Hungary.* Hungary's territory was reduced by 72%, her population by 64%, but instead of reducing the Civil Service, Count Bethlen *increased* it by at least two-thirds.

We paid the taxes; why should he care? The landowners were protected. The great landowners paid 7.62 *pengoes* per acre, the smallholders 12 *pengoes* per acre. The workers in the factories and on the land paid, proportionately to their income, 22% more tax than the rich.

So, as you see, the Horthy–Bethlen régime not only abolished all the reforms, but quite effectively ensured that we should not get any help from inside or from abroad.

We were beaten, and our lords were safe. They set to work to wreck our future too. They called Hungary a "kingless kingdom". You can make funny jokes about it, but this phrase, too, was a trick of our lords. By calling Hungary a kingdom, they meant that the peace treaties were not valid. Only the king, with St. Stephen's crown on his head, could make a treaty. This meant that Hungary would have to get back her thousand-year-old frontiers.

CHAPTER XII

Let us tell you now what we think about this problem of St. Stephen's frontiers. Listen, please, because you will never achieve peace in our part of the world unless you see clearly the rôle of our lords.

Your rich people talk about "the white man's burden" in Africa and India. Well, our lords could talk in the same way about the "white count's burden". It is very simple. The white count's burden is to rule the Danube basin; to rule the despised workers in Hungary, Rumania, Croatia; to rule a lot of Slavs and Germans. Why should he rule them? Because the "white counts" are infinitely better than anybody else in the Danube basin.

We think that we shall only have peace if we all accept the fact that we are neither better nor worse than our neighbours, and that we must live side by side with them on the *basis of equality of opportunity, right and obligation.* Well, our lords will never acknowledge that a Rumanian or Czech lord is just as good as they are.

Our lords are a proud lot. They like to be important. They think and talk all the time about the Hungary of a thousand

3:Kemeny G-5 (1945-48)1952 EC1 Hungary EC1

National Bank by an amnesty put in force for a limited period, relieving them from the penalty for omitting to do so prior to the monetary reform. Draconic penalties were at the same time announced for any new infringement of the exchange regulations.

The psychological and technical devices worked. It soon became evident that the farmers accepted the new money. Something like a normal interchange between the urban and agricultural sectors of the community, an interchange which had been badly shaken by the preceding monetary disorder, was re-established.

Stabilization was, of course, backed by budgetary measures. A comprehensive fiscal reform of taxation, with the aim of restoring a budgetary balance, had been prepared in advance, and was evolved on broad lines out of the pre-war taxation system. Each source of revenue was to be exploited to the utmost.

Accordingly, rates of taxation were raised considerably as compared with those in force prior to the war. This relates both to the income and property taxes and to those on consumption. Incomes exceeding 1,200 forint a year (£24 though higher in purchasing power than in England) were liable to income tax. The rate was fixed at 2 per cent in the lowest range. Incomes of 10,000 forint are taxed at a rate of 6·7 per cent. The income tax reaches maximum rates of 70 per cent for income from work and 80 per cent for income from property. These highest rates weigh upon incomes exceeding 84,000 forint. A surtax with rates ranging from 15 to 75 per cent was payable on earnings (net of tax) above 18,000 forint. An increased tax on house rent amounted to 60–80 per cent of the gross rent, leaving only 20 to 40 to cover upkeep. The purchase tax was raised from the pre-war range of 2–5 per cent to 3–10 per cent. The company tax had to be paid according to turnover, irrespectively of whether there was any net profit. The pressure placed on the taxpayer may be seen from the fact that the interest on tax arrears has been replaced by a subsidiary tax at a *monthly* rate of 10 per cent. These efforts, coupled with a severe restriction of current expenditure on goods and services, produced a marked improvement of the budgetary position. Yet the burden of reparations amounting to 1,436 million forint out of a total expenditure of 3,701 million, prevented the Government from securing a real balance. The improvement attained after the first transition period of reorganized tax administration is illustrated by the rise of the contribution of taxes and other current revenue to total receipts from only 18 per cent in August and 47 per cent in September 1946, to an average of 78 per cent for the whole

3:Kemeny G-5 (1945-48)1954 EC1 Hungary EC1

budget year. Eventually 360 million forint had to be raised by borrowing (60 million through the Postal Savings Bank in addition to the initial National Bank loan of 300 million) and 450 million from other extraordinary sources of revenue.[1]

The supply of currency, as reflected in the issue of bank-notes, is shown by the following figures:

	Million forint
31 August 1946	355·6
30 September 1946	606·6
31 January 1947	1,016·8
30 April 1947	1,258·2
31 July 1947	1,592·2

The renewed expansion of the circulation might prompt the question whether the public, with the recollection of their recent experiences, would once again begin to distrust the currency. The stabilization was strictly confined to the internal value of money. In Hungary a system of exchange control had been in force as far back as 1931. This control naturally was taken over and maintained when an economy of shortage supervened at the end of the war. Transactions arising out of foreign trade were based on official parity rates in conformity with bilateral agreements.

In spite of heavy penalties a black market for foreign exchange and gold developed with rising rates. Apart from prosecuting the participants, in so far as they could be caught, the authorities did not interfere with the black market. There was, in particular, no direct intervention to influence the rates of this market. They were regarded by the authorities as isolated phenomena, unlikely to affect the general economic situation. This view was on the whole justified, for transactions in the black market were negligible.

However, by the autumn of 1946 an additional difficulty arose, endangering the balance between the amount of currency and the stream of goods. The poor harvest and the deficiencies of administration resulted in an acute food shortage and soaring prices. These price increases undermined confidence in the monetary reform, and black-market rates of exchange rose correspondingly. The upward movement was halted by a temporary credit restriction. A similar stiffening of the position developed in March 1947 in connexion with new difficulties in food supplies. It was checked by the same weapon of short-lived deflation. This was effected by enforcing the maximum limit of the note issue, and by giving instructions to the National Bank

[1] These consisted mainly in the profit from the revaluation of the National Bank gold reserve and in the proceeds of the sale of goods obtained within the framework of UNRRA relief and the U.S.A. loan in kind.

3:Kemeny G-5 (1945-48)1952 EC1 Hungary EC1

BUDGET AND CREDIT

652 During the year of the monetary reform efforts were concentrated on achieving a balanced budget. It was a hard task in view of the heavy commitments for reparation and the burden loaded on the Treasury by the deficits of public enterprises. In spite of stern measures to cut current expenditure, requirements could be met only by the aid of extraordinary revenue, amounting to more than 20 per cent of the total. The Plan called for a reversal in the relation of tax revenue and expenditure. The financial conception was that the essential part of the means to be used for investment should be provided from surpluses of the Central and local government budgets. It was anticipated that the general rise of production induced by the Plan would [251] secure ample tax revenue. Moreover special taxes on property were introduced to support the financing of the Plan.[1]

The financial plan for 1947–8 provided for investment to the total amount of 1,796 million forint, to be met from the following sources (in million forint):

CENTRAL GOVERNMENT AND STATE ENTERPRISES

		million forint
Surplus of ordinary revenue		489·5
State enterprises	122	
Capital levy	515	
Loan	200	
Total extraordinary receipts		837·0
		1,326·5
Local government		269·6
Joint Soviet-Hungarian companies		42·5
Co-operatives		36·0
Private investment		121·4
		1,796·0

The actual out-turn differed widely from the estimates. Investment at 2,494 million forint exceeded the amount anticipated by nearly 40 per cent. Of the extraordinary receipts, the capital levy yielded only 193 million, the State enterprises 50, and no loan was issued.

The gap to be covered was nearly 1,300 million. In view of those deficiencies and an additional requirement of almost 700 million, the Central Government's budget provided a surplus of 833 million, or 343 million above the estimate. Local govern-

[1] They included a capital levy to be paid in instalments in the course of three years. The lowest rate for property exceeding 75,000 forint (£1,500) was fixed at 5 per cent, the highest rate, burdening property of more than 2 million forint (£40,000), at 25 per cent. This tax was supplemented by a levy on the accretion of property (with 1939 as the basic year) applying rates from 25 to 75 per cent.

3:Kemeny G-5 (1945-48)195 EC1 Hungary EC1

Investment was accelerated by 50 per cent in the second period compared with the first, and subsequently again by 50 or even 70 per cent in the third compared with the second.

In an endeavour to raise revenue for meeting requirements a new profit surtax was introduced, charging company profits which exceeded 5 per cent at rates of 30 to 50 per cent. Except in the very limited portion of industry which had not been nationalized the financial effect of this measure was nugatory. Simultaneously a purchase-tax reform was carried out, accompanied by an increase in rates. The reform secured that this form of taxation should remain the most important single item of revenue, with proceeds exceeding those of direct taxes. Further measures were taken thoroughly to exploit all sources of taxation, whether old or newly created. It seems that in spite of all these efforts the Treasury failed to raise revenue on the scale required by the increase of expenditure.

Provisional budget returns published in the official *Statistical Bulletin* relating to August-December 1948 show 3,697 million forint total revenue and 3,920 million forint total expenditure. Later, modified final figures were published disclosing a moderate surplus in place of the deficit of some 200 million resulting from the figures quoted above. It should be noted, however, that in an economy with industry largely nationalized, budget results are not conclusive without an analysis of National Bank loans. The nationalized enterprises being the most important borrowers from the Bank,[1] nothing seems easier than leaving deficits concealed in their accounts in order to relieve the budget, if this kind of window-dressing is wanted.

BUDGET ACCOUNTS, AUGUST-DECEMBER 1948
million forint (provisional)

Revenue	
Current items	3,541
Capital levy	118
Other extraordinary receipts	38
Total	3,697
Expenditure	
Current items	1,815
Deficits and subsidies	700
International commitments	449
Three-year Plan	955*
Total	3,919

* According to a statement based on computations of the National Planning Department: 985·1 million forint.

[1] According to a statement of the National Bank the participation of State-owned enterprises in the total of its loans reached 70 per cent by the end of 1948.

3:Kemeny G-5 (1945-48)195 EC1 Hungary EC1

185 cerned. One reservation, however, appears to be justified. The stress placed on the development of heavy industry presumably hampered the expansion of light industry on such a scale as would have been attainable without the compulsion exerted by the Plan.

THE RATE OF CAPITAL ACCUMULATION

454 652 There is a peculiar dynamic quality inherent in the economic plans in Eastern Europe. All of them are intent on imposing a pace of development which implies strenuous present efforts for future results. An increased capital equipment has to be created to attain increased productivity. As foreign capital aid was excluded, additional equipment had to be produced from domestic resources, and to this end all available reserves had to be mobilized. It was this spirit of austerity, calling for individual sacrifice, which underlay the decision to devote 10 per cent or more of the national income to a capital programme, notwithstanding prevalent shortages.[1] This decision doubled the rate of net investment compared with pre-war, while a considerably reduced national income was also burdened with reparations to the amount of 6 per cent.

The grim determination of the planners to speed up reconstruction and the development of productive power placed the responsibility for the adoption of measures to secure an adequate capital supply on the central authorities. Individuals could not conceivably be allowed to decide upon the rate of accumulation according to their own preferences for future as compared with present goods. Compulsory saving became imperative, and it was effected mainly through taxation. From the outset all possible sources of revenue were strained to the utmost in order to produce a surplus large enough to finance the capital programme. The special capital levy proved a failure. It provided approximately 200 million in the first Plan year towards total requirements amounting to 2,500 million forint. The principal part of the funds needed was, in fact, raised from the general revenue. Consequent on the necessity to secure the means [651] wherever they were available, an intricate multiple system of taxation was maintained. Though direct taxes with progressive rates contributed a considerable part of the revenue, the mainstay of Government finance was the purchase tax, together with other duties and monopolies falling on consumption.

A system of compulsory savings through taxation does not exclude other devices for promoting savings. Spending can be

[1] This relates to the first Plan year. In 1949 net investment climbed up to 18 per cent.

3:Kemeny G-5 (1945-48)195? EC1 Hungary EC1

PRINCIPLES OF PRICE POLICY

The Hungarian planners' conception of price policy was to secure conditions conducive to planning. This called for a stable price level, an aim which had been pursued (though not realized) in the interval between the monetary reform and the initiation of the Plan. Thus the guiding idea for price policy at first adopted under the Plan was to use the existing controls to establish and maintain a stable price level as an adequate basis for calculation. But presently the objective was modified in that a gradual reduction of prices at a later stage was aimed at. This reduction, which was to be brought about by levelling down industrial costs, was regarded as a means of raising real wages. Hopes were attached in particular to improvement in the productivity of labour, but the course of events brought them to nothing. The policy was to avoid disturbances of the execution of the Plan being caused by price movements, which would vitiate cost calculations and wage policy. Yet price policy was not regarded as an instrument of planning in the sense of bringing about adjustments of demand and production in a general way in order to facilitate the fulfilment of the Plan.

In an entirely collectivist society it would be a matter of expediency whether public expenditure should be met by taxation or by charging prices high enough to leave a margin for the Treasury to cover the cost of public services and investment under the Plan. This simple formula did not apply, however, to Hungary under the Three-year Plan, so long as some parts of manufacturing industry, handicrafts, retail trade, and, above all, agriculture were in private ownership. The co-existence of public and private enterprise called for a system of taxation to be applied to the whole of the economy. Soon after the general nationalization of manufacturing industry the authorities declared that the nationalized enterprises should pay taxes to the same extent as under private ownership. It followed that taxes had to be included in the calculations of Government-owned concerns. In addition these concerns had to deliver surpluses to the Treasury. In the budget for 1949 former sources of revenue were topped by a new one, the profits of nationalized enterprises. The margin between the prices charged for the public and the cost of products (without allowing for expenses centrally incurred) was to flow under two principal headings into the Treasury: taxes on the one hand, 'profits' or surpluses on the other.

Under conditions prevailing in Hungary two essential points had to be considered when fixing the prices for products of

The newspaper men, lawyers, actors, notaries public and postmasters and their employees each have separate retirement pension societies.

The second most important Hungarian social welfare project organized during the last 20 years was that of the insurance of the agricultural labourers. This will be reviewed in the chapter dealing with agricultural social welfare policy.[1]

Social Programme of Taxation.

Hungarian public finances are governed by social considerations and are progressive in character. Parliament has enacted several laws since 1918 in order to divide the burden of taxation progressively. The taxation policy is readily adaptable to the prevailing economic trends, and in spite of the present burden of heavy re-armament expenses and past economic depressions, the taxation is far more just and easily borne from the social point of view than heretofore. The success of the Hungarian public finance policy is proved by the fact that the state does not now requisition a relatively higher proportion of the national income than it did during the years just preceeding the war.

The explicitly social implications of the Hungarian public finance policy are described in the following paragraphs.

The income tax rates were computed on a progressive basis even in the first Hungarian income tax enactment (Act X of 1909.). Since then the progressive rate of increase was made more pronounced by Act XXII of 1940 in so far as it raised the tax burdens on the yearly incomes of 7000 pengős or more and left the rate in the lower income brackets unchanged.

[1] [cf. category 116, pp. 39-51 - - - Analyst]

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Net income		Income tax.	
1,000	pengős	10	pengős
2,000	»	28	»
3,000	»	55	»
4,000	»	95	»
5,000	»	125	»
6,000	»	164	»
7,000	»	210	»
8,000	»	265	»
9,000	»	320	»
10,000	»	380	»
100,000	»	17,000	»
200,000	»	43,000	»
300,000	»	72,000	»
400,000	»	104,000	»

Ten pengős are deducted as a minimum subsistence allowance out of the tax payable on incomes not over 6000 pengős, which measure also favours the small taxpayer. This means that the tax on 3000 pengős is actually only 45 pengős, while the tax on 7000 pengős remains the above-quoted 210 pengős. Thus the tax is increased fourfold on an income little more than twice the size.

In the case of the taxpayer whose basic income surpasses one and a half million pengős, the tax, together with supplements, is 83% of the income. This shows that the Hungarian tax system is one of the most progressive in Europe.

Tax exemptions for soldiers.

651 729 While levying direct taxes, the first socially significant step was taken in the interest of disabled soldiers, war widows and orphans, and of those returned soldiers who fought on the battle-fronts and were decorated in the first world war. The Government grants the following exemptions

15: Kárpáti G-3 (no date) 1943 EC1 Hungary EC1

to the above: 10% to 30% exemption when the direct tax payable is not more than 50 pengős, 5% to 20% when the direct tax is between 50 and 100 pengős.

Children's Allowances.

The high birth rate is encouraged by the state even through tax measures. The principle of tax exemption granted for children was first adopted in 1929. According to the number of children in the family the assessable income-tax rate is progressively lowered, that is to say, the personal exemption is gradually increased, and the income-tax rate is progressively reduced. Those who do not have to pay income-tax also have their other direct state taxes lowered if they have four or more children. The same purpose is served by Act XXII of 1940, which provides tax rate reduction for those property owners who rent their houses exclusively to families with many children.

Since 1940 the tax concession for those having children takes the form of progressive reduction of the taxable income according to the number of children in the family. The ratio of reduction is considerable: for three children 700 pengős, for four 1000 pengős, and for five or more children 1500 pengős can be deducted from taxable income. The same law provides that the heads of families not paying income-tax are eligible for a reduction of rates on property taxes. The reduction is progressive and is between 5% and 34% (in the case of five children).

The promotion of family welfare is embodied in the already mentioned act of 1940 to the extent that up to certain limits (12,000 pengős yearly income) the law differentiates between single and married taxpayers, and taxpayers with children. To show how this works in

651 practice we take the case of a man with a net income
168 of 3000 pengős. The income-tax payable by him will vary according to his status in the following manner:

30-year-old	single	taxpayer			
will	pay	.....		58.75	pengős
married	childless	.....		53.25	»
»	with one	child	.....	50.50	»
»	»	two children	...	45.00	»
»	»	three	» ...	24.00	»
»	»	four	» ...	18.00	»
»	»	five	» ...	8.00	»
»	»	six	» ...	no tax.	

Property tax in rural districts.

651 Social considerations prompted the Government to levy only a nominal fixed tax on small two-roomed houses, occupied by their owners in villages and rural districts. This means tax relief for more than one million property owners.

Taxes of artisans, craftsmen and their widows.

The poorer artisans are exempted from declaring their income for tax purposes and they have to pay only a small fixed income tax. The income-tax rate of independent handicraftsmen over 60 years of age, and handicraftsmen who work for wages is reduced to half the general rate. Various tax concessions are made to widows of handicraftsmen who are practising their late husbands' trade, and to disabled ex-soldiers.

Tax concessions for new leaseholders.

The new leaseholders who became taxable according to the definitions of Act IX 1940, are exempted from

651 paying income-tax for three years. In the reoccupied territories the Hungarian house-owners who were not granted provisional tax exemption under the nationalistic policy of the Succession States, now receive such exemption.

Enlisted men.

651 729 In connection with the war the Government introduced several new tax exemption measures. For instance, the Government remits even those taxes of soldiers killed in action which were not remittable previously. Cancellation of some of the taxes can be requested by the enlisted men, and they, or their landlords, can claim rental tax exemption.

Real estate tax exemptions.

651 The Government made important concessions to the farmers in land tax levies. In 1929 the rate of land tax was scaled down, and during the economic depression the Government reimbursed the impoverished farmers for the land tax already paid by them. Since then this concession is renewed yearly. Tax reductions were given for regrafting vineyards, and farmers receive tax benefits under Act XXII of 1940 for damage caused by the elements. Between [731] 1939 and 1942 Hungary suffered extensive flood damage every year, and the farmers thus affected received additional government concessions and compensation.

Special privileges.
Reduction of tax penalties.

In the interests of agrarian social welfare, and to restore parity of farm prices, numerous measures were adopted, among them the reduction of tax penalties almost

651 by half, the reimbursement of interest on taxes, and deferred tax payment schemes.

Relief of law enforcement.

Not only while levying taxes, charging expenses and interest to the taxpayer, and reducing tax rates did the Government espouse the cause of social welfare, but it came to the aid of the deserving taxpayer when tax laws were enforced. Several measures aim at the protection of the indigent agricultural population from tax law enforcement. The same help is given to others in need and to enlisted men. In connection with the war, the Government granted the remission of taxes in several cases. While discussing tax exemptions, mention should be made of the deferred payment schemes and reductions in interest granted by the Government in connection with the land reform and building site allotments.

Assessment of fees and social considerations.

Social considerations follow two courses in the assessment of fees. First, the Government grants exemption from the payment of fees when it considers the execution of certain schemes desirable from the social point of view, (Housing; sickness, accident, retirement, disability and widowhood insurance; resettlement on the land of the returning Hungarians who lost their property in the Succession States, and their agricultural re-establishment; promotion of industry, support of disabled soldiers and their dependents, settlement on the land, allowances for child education, cooperative welfare organizations, family welfare, promotion of agriculture and land reform etc.). Secondly, it grants reduction in the payment of fees in connection

with certain permanent social welfare purposes (public charity, documents for paupers, physical training etc.).

Social credit grants.

The vast credit schemes launched by the Government were mostly of social significance. The most extensive debt adjustment in Hungary since the first world war was aimed at the promotion of the social welfare of the agrarian population, which was gravely affected by the world-wide agricultural slump. The indebtedness of farmers and the fall of prices was so great that it was beyond the Government's ability to remedy the situation according to established financial and economic policies. In the beginning the Government came to the aid of the farmers by lowering the interest rates and prohibiting public sales of real estate. Later the policy of protected ownership was instituted, and the Government extended the amortization of farm debts over a longer period.

Part of the short term bank loans contracted by smaller farmers were paid by the Government. Indebted farmers owning less than 70 acres of land were especially favoured by the adjustment of their debts. The social implications of the protected ownership system will be discussed in the chapter dealing with agriculture. [1]

Interest rate reduction.

When lowering the interest rates on farm debts the prime consideration was that the burden of the poor should be lighter than that of the rich. We mention here that the general lowering of interest rates benefited the whole community, and further, that the interest rates on small loans contracted with state pawnshops were reduced to a third.

[1] [cf. category 116, pp 39-51 -- Analyst]

Tax concessions.

729 Their economic assistance and patronage is the
● 651 permanent feature of the taxation policy, which assures the disabled soldiers, war widows and orphans, soldiers decorated for bravery, and war veterans of permanent tax benefits through administrative and legal measures. Lately these benefits have been made available to all soldiers on active service.

Ex-soldiers.

729 In several other administrative and legal measures
464 incidental provisions secure special consideration for the above. One of the laws furthering the welfare of war veterans and their dependents orders the employment of a certain percentage of disabled soldiers by employers, and secures preferential treatment for ex-soldiers when applications for governmental and other positions are considered.
729 These considerations prevail at the distribution of state
656 monopoly rights in trade amongst retailers. The law of 1921 governing the retailing of spirits orders that the license applications of war veterans, disabled soldiers, war widows and orphans and those civil servants who lost their livelihood on account of the Treaty of Trianon, should be given first consideration. The law regulating the social welfare of ex-soldiers provides that if there are competent ones amongst the applicants for any state licenses to ply a trade, at least 50% of the applications should be granted to them. Since these laws were passed the revenue authorities have allotted almost 70% of the licenses — especially licenses to retail tobacco — to disabled soldiers, giving preference to those who had

awarded pensions irrespective of the length of military service. During the first world war no such law was in force.

Taxation.

The enlisted men and dependents of soldiers killed in action profit by various taxation measures. For instance, in some cases their tax arrears are written off. The collection of taxes of enlisted men is deferred for a longer period. Arrears in municipal rental taxes payable by enlisted men are sometimes treated as irrecoverable claims.

In this resumé of war-time measures, only the most important features of state aid to soldiers, and to others entitled to special consideration on account of the war, have been briefly outlined.

VI. HUNGARY — A SOCIAL STATE.

One of the oldest themes of anti-Hungarian propaganda, which is repeated over and over again, is the assertion that Hungary is a feudalistic state motivated by reactionary conceptions of life and remaining far behind its neighbours in the matter of social reform. Occasionally publications appear abroad trying to prove this assertion by specious comparisons.

The Hungarian statutes, institutions, and governmental measures already described speak for themselves, and the data given show that Hungary's social policy has kept pace with general European social progress. Hungary was the fifth state to limit child labour early in the nineteenth century, the fourth state to institute family allowances, one of the first to restrict night labour and to legislate for

6: Shuster S-4 (no date) 1954 El Europe
Hungary EC1

Nevertheless, with the help of the Russian Army and the Communist-infiltrated police force, all parties professing opposition to Communism were disbanded, the Independent People's Front was created, and it was announced that the People's Republic had been established. A single slate of candidates was presented to the voters in the election of May 15, 1948, and naturally the Communist candidates were chosen by an overwhelming majority.

We shall now review the developments which affected relations between Church and State and culminated in violent persecution.

The Catholic Church was a target first of all by reason of its material possessions. The Land Reform Law decreed during 1945 was drastic but could be defended in principle. It affected the holdings of wealthy owners and their buildings and livestock. Estates of more than a thousand acres were to be broken up completely. Owners of smaller properties were permitted to retain one hundred acres. However, the reform proved to be a poorly camouflaged prelude to the creation of collective farms—agricultural properties owned and exploited by the State. Communists, regardless of aptitude for farming or the validity of their claims, received virtually all the land which was redistributed. The State fared even better. By July 1, 1946, it was owner and manager of fully one-eighth of all the landed property in Hungary. None of the former owners received compensation. The new peasant proprietors were, it is true, compelled to make payments at regular intervals to amortize the cost of the land assigned to them. However, the moneys thus collected went into the State Treasury. By the beginning of 1948, the owners of one-hundred-acre estates, who had previously been affluent, were being pushed to the wall; for all farms larger than fifteen acres were taxed so heavily in grain and produce that it was utterly impossible

6: Shuster S-4 (no date) 1954 El Europe
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651 423 to meet the levies. When a farmer succeeded in doing so, he found that he was forced to sell his surplus at prices fixed by the government; and these were so low that he was unable to make both ends meet and was forced into bankruptcy. Foreclosures became the rule.

659 794 By the close of 1948, the Catholic Church in Hungary had lost its wealth and material independence. To its other losses of this character must be added the elimination of revenues from the system of advowson, an economic survival from the Middle Ages. This arrangement made it legally incumbent upon stipulated wealthy patrons, and upon cities and towns, abbeys and foundations, to contribute to the support of the Church. Budapest, for example, was partly responsible for the upkeep of parishes within its boundaries. The 1945 Land Reform Law abolished all rich patrons as a matter of course; but cities and towns kept up the practice of advowson, often with ironical results. Thus in Budapest the patronage committee of the City Council, whose members traditionally had been clerical, very soon took on a Communist hue. This was, however, the committee entrusted under the law with reviewing the list of priests nominated by the Archbishop for appointment to pastorates. The responsibility, therefore, was now transferred to the Communist Party. It took persistent delight in vetoing all nominations of persons it looked upon with disfavor. Slowly, such committees also withdrew financial support. All that then remained to the Church were direct subsidies from the State, so that a relationship of complete financial dependence was established.

659 Meanwhile the fate of religious education was likewise being debated. Prior to 1948 Communist efforts to ban instruction in the tenets of the recognized faiths met with so much resistance that the traditional practices—namely, compulsory religion classes in the public schools and the maintenance of